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Strategic HR Review – September 2018

APPLYING HR ANALYTICS TO TALENT MANAGEMENT

ABSTRACT

Purpose – *The purpose of this paper is to summarise the different areas of talent management and how HR metrics and Analytics can be harnessed to make those areas more effective*

Design/methodology/approach – *The paper first discusses the different definitions of “talent”. It then takes three areas for the application of metrics and analytics – data about individuals, the effectiveness and efficiency of talent processes, and the extent of the supporting culture.*

Findings – *The definition of talent should not be confined to senior leadership only, nor be fully inclusive of every employee, but organisations need to define those individuals and groups where some specific attention will benefit the organisation; it is as important to understand the potential of all employees as it is to assess their performance; metrics should be chosen for all talent processes and related to business KPI’s where possible.*

Originality/value – *This paper is based mostly on the writing, models and experience of the author.*

Keywords - *Talent, Measurement, HR analytics, Capability, Potential, Engagement, Culture, Human capital*

Paper type *Conceptual paper*

What do we mean by Talent?

The term “Talent”- widely used today and the core of many senior job titles in HR – originates in its current usage from a famous 2001 article called “*The War for Talent*”. Written by three McKinsey consultants in the US, they identified “five imperatives of talent management”:

- Instilling a talent mindset
- Rebuilding your recruiting strategy
- Creating an employee value proposition
- Developing great leaders
- Differentiating and affirming your people

The article placed a particular emphasis on the influence that an immediate manager can have – either positively or negatively – on the development of their people. These so called “imperatives” lead us to three aspects of talent management that require some measures and indicators – enabling us to set goals, track progress, benchmark internally or externally, and link where possible to business parameters. These are:

- Data about talented people
- Effectiveness and efficiency of talent management processes
- The extent of the supporting culture and environment

However organisations have varying definitions of what they mean by talent – who should be included in this population or populations that require “management”? Figure 1 shows the spectrum of inclusivity here.

A common definition is to confine it to those individuals who are seen to be “high potential”, able to reach the upper echelons of leadership. Certainly these would be included. However in any organisation it is rare that this group would comprise more than 1% of the workforce. They are often not identified until already in middle management and one might argue also that they are the group that need the least “management” or help from the organisation. In an excellent study Professor Alan Mumford (*Developing Top Managers, 1988*) talked to a large number of CEO’s and practically none of them could give credit to any HR process or intervention that had enabled their rise. It was opportunity, being in the right place at the right time, or just luck that had given them the chance to show achievement and potential.

At the other end of the spectrum are organisations who are uncomfortable with any differentiation and who argue that everyone has talents and it is the job of organisations to develop them all. This is true of course. But it argues solely for sound people development processes and fails to recognise that some people are actually more critical to the mission of the organisation than others, or are scarcer to find and more difficult to keep.

Another definition of talent is those who possess expertise in one or more “strategic capabilities”. These are those that are identified as “mission critical”. They may be behavioural capabilities, especially in service industries, but are more likely to be technical or specialist skills – and it would also include leadership ability, since all organisations need that. The percentage here will vary considerably between organisations, probably between 10% and 70%.

A fourth definition would be all those who have *some kind* of potential to grow – able to do a bigger or broader job in the future. This is probably around 50% of a typical workforce. Another definition one has seen used is “the graduate population”.

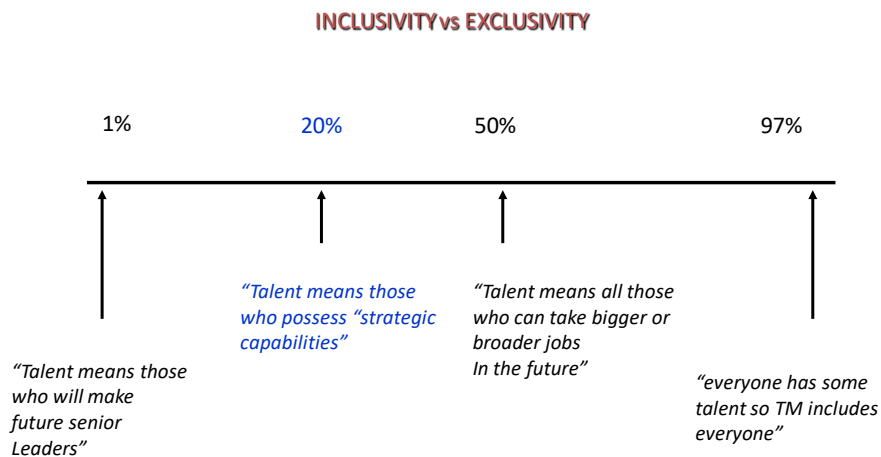


Figure 1 – Inclusivity vs exclusivity of the talent definition

Data about talented people

Depending on our choice of the talent population, people may be within our definition either by virtue of their job, or their personal attributes, or both. Some job families are totally composed of people with skills that are very difficult to acquire and hard to replace, even though within that family they may perform at different levels. In such a case we may look at two levels of talent – the “pool” that they belong to which is critical for us; plus their individual performance and potential.

A starting point for HR Analytics is having robust indicators of “**capability**”. Figure 2 shows a holistic model of capability, which together make up the value of an individual employee. HR people are often over focused on behavioural competences and neglect the other components.

“CAPABILITY”

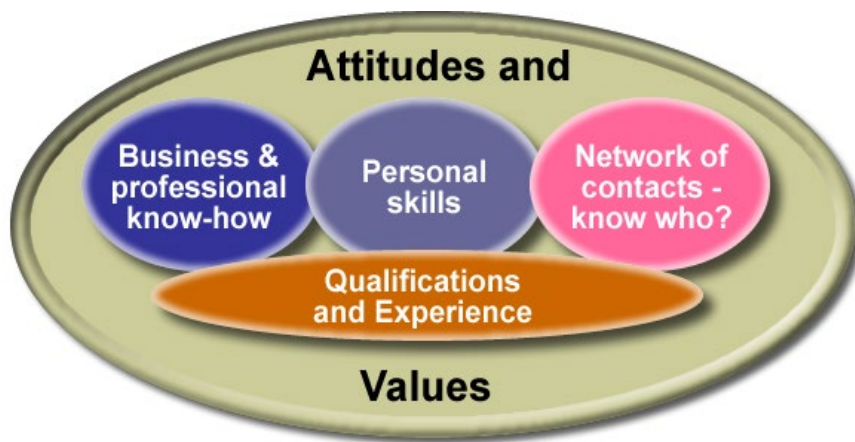


Figure 2 – A holistic profile of Capability

When it comes to people-related measures this is actually one of the more difficult areas. And yet it is not only important for evaluating talent but is fundamental to learning and development if we want to measure the effectiveness of programmes and interventions. It is important also in recruitment and promotion decisions.

In the area of “Personal (behavioural) skills” elaborate assessments have been devised using 360 feedback methodology, or evidence of positive or negative indicators. The “know-how” area is one of the easier – a five point scale of expertise can be used, as such skills generally develop in a linear way. Experience is the platform on which many capabilities are based – it has more parameters than just “time spent”. We can consider depth, scope in size and breadth, range of problems encountered, and so on. Some may wonder why “know who?” is included – this is because some jobs depend for their success on who one knows personally, either internally or externally. Here we look at the percentage of a potential population that a person can say they know. Values are seen in behaviours – they are sometimes critical and need to be assessed by what others see and experience.

Individuals have “CV’s” which are summaries of their qualifications and experiences and may highlight some key areas of expertise. However there is a case for Talent Managers to request or compile with individuals a supplement called a “Personal Capability Profile”. This lists the most significant areas of capability under each of the headings in Figure 2 – not more than 6-8 in each category. These should be given a level of expertise based on an agreed set of scales or indicators. These profiles are the essence of trying to understand “the value of human capital”.

A second area for a measure is **performance**. Although most organisations will give their employees a performance rating this often has questionable value. It is an average – and “averages are the enemy of truth” – of results achieved and maybe behavioural competencies as well. Many people have good years and bad years, no fault of their

own. We certainly would say that consistently bad performers have no place in our talent groups, and consistently good performers do – depending on our definition of talent. But not so many people fall into those two categories.

More important for talent metrics is a person's **potential**. This is often seen as binary ie one has it or not. It is not as simple as that. One can think of three types of potential. The most obvious is “height” – rising in the hierarchy to greater level of responsibility. Even then, we all are subject to the Peter Principle – namely that “there is an organisational tendency for people to rise to their level of *incompetence*”. This happens if promotion is based solely on performance. The requirements in terms of personal and leadership skills change at each rung of the ladder, and the best engineer or operator does not necessarily make a competent supervisor. This truism becomes more acute as we go higher in an organisation. So “upwards potential” has a ceiling for everybody.

Two other types of potential – if we define it as doing a bigger or broader job in the future – are “depth” and “breadth”. The first is recognising the value of those who will show technical or specialist leadership. Effective talent management requires parallel career structures so that ambitious specialist employees do not have to give up their real interest in order to become managers or administrators. The second, which was traditionally used in the civil service, is about the value of being competent in more than one area. So individuals who are able to take their basic skills and cross functional boundaries are more valuable than those confined to “silos”.

A key metric in talent management is a quantitative descriptor of potential and Figure 3 suggests an example suitable for “upwards potential”. A similar one can be developed for specialist potential which leads to the leadership of a functional area..

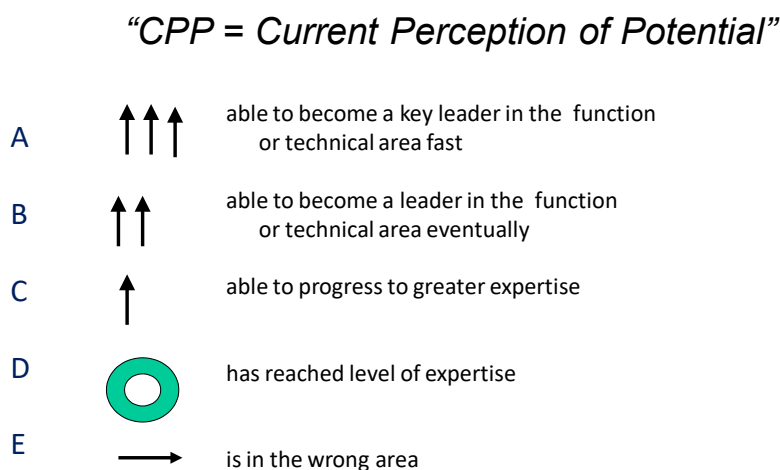


Figure 3 – a Classification of Potential

Just as we give everyone a performance rating so we should look at the potential of everyone. Many organisations use the “nine box grid” to display both of these – a 3 x 3 matrix of high:medium:low of performance on one axis and potential on the other, placing individuals in one of the boxes. The *profile* of potential within a department or job family is also a useful tracker of the distribution of talent – this is a bar chart of the % of the group that is judged to be in each category of potential.

What other data is important to hold on individuals in the cause of managing our talent? The following are suggested:

- *Risk of leaving* Some companies are using predictive analytics here using artificial intelligence algorithms which combine potential, scarce skills, external reputation, promotional opportunities available and so on – algorithms based on why talented people leave. Aside from this, regular discussions with people are necessary. The metric itself is simple – high:medium:low will suffice.
- *Earliest Date for next career move*. Each job assignment has phases. There is the initial learning curve; a period of consolidating mastery; a period of initiating change and then this merges into a “coasting” stage. With a job that has constant new challenges that last phase may be a long time. I personally was in one job for six years because it continually threw up new learning opportunities. The length of these phases clearly varies with different levels of job and it is useful to have table of typical timescales. It is the end of the third phase that can lead to restlessness and would be the indicator of “earliest date to move”. This is a trigger for the talent manager that someone’s risk rating might rise.
- *Mobility* – willingness to move location and any limitations on that

Effectiveness and efficiency of talent management processes

The second area of Analytics is to look for indicators of effectiveness and efficiency in the various processes to be deployed. Figure 4 shows a framework for Managing Talent

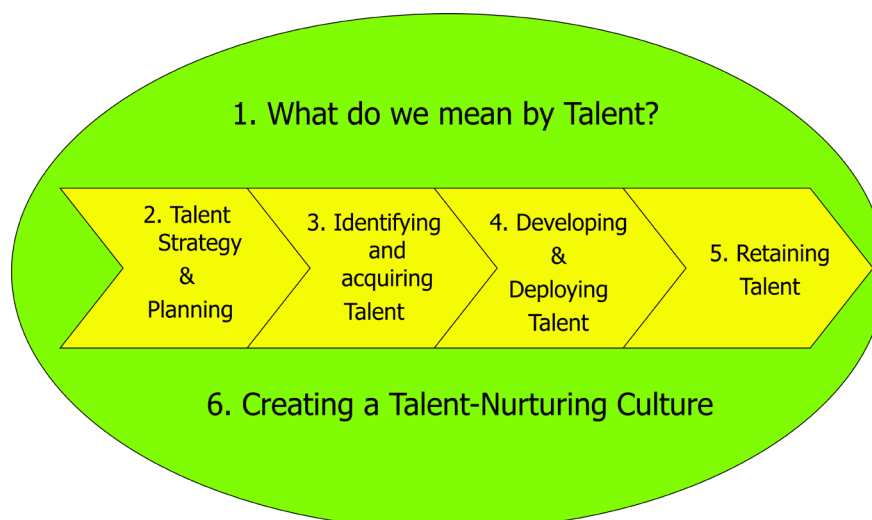


Figure 4: A Framework for Managing Talent

and it is the four processes across the middle that concern us here.

Talent Strategy and Planning

This is firstly about setting strategic goals that formulate a set of “Key Performance Indicators” against which we will regularly measure. We look at some examples of these under each process.

There are two key planning processes. There is the more general workforce planning discipline – particularly here for groups designated as talent pools. The planning process tells us how many we need, where and when – and our metric is the % achievement of that plan. Secondly there is “succession planning” – more individually orientated for specific posts or “pools” of posts such as country managers or call centre managers. Metrics here might be:

- The % of posts without a designated immediate successor
- The % of posts with no successor either now or long term
- The % of posts on the plan becoming vacant and being filled *from* the plan
- The marginal costs associated with having to fill senior positions externally rather than internally

Identifying and Acquiring Talent

Clearly we need to identify our talent internally, depending on the definitions we have chosen. We will be interested in both absolute numbers and percentages of a job group, setting targets for these. That identification process - the assessment of potential and so on – is beyond our scope to discuss here – but obviously fundamental to talent management. One important metric is the % of identified talent that fulfils its expected potential. If this is lower than desired, it feeds back into reviewing our identification methodologies.

Some metrics we might use in the acquisition process might be:

- the quality and quantity of graduate recruits
- the “employment brand” (however this is measured)
- the % of senior vacancies filled internally
- the % of external candidates accepting our offer
- the quality of our employee value proposition in the market (a ranking perhaps)

Developing and Deploying Talent

Some of our specialist talent pools will look for no more than the ability to develop and keep up to date with their specialism. However future leaders and those with upwards potential look for continuing work challenges and some investment in their learning. Experiences are the core of personal growth and development and the first question for a talent manager dialogue should be “how challenged do you feel right now?”

There is a dichotomy between the established HR mantra that selection is about selecting the best person available for the job vacancy – and what this usually means is that such a person has the *least to learn* in the job. Many a senior person looks back on their career to the times when “they took a risk on me”; “they gave me a once-off chance” – and they experienced accelerated personal growth. Spending time with

individuals putting together career plan options for the next 5-7 years is an activity that benefits both individual and organisation .

Metrics in this area will vary by organisation but may include (for the leadership talent pool):

- The % who have been moved to a new position in the last year
- The % that are on development secondments
- The % with experience in more than one function and/or geography
- The % who have had a business school development experience
- The % that are beyond their “earliest date for a move”

Retaining Talent

By definition talent will be sought after by other organisations. Retention is about “push factors ” (those that make me want to consider leaving) and “pull factors” (external offers made to me). The best that an organisation can hope for is to minimise the “push” and make giving in to the “pull” a difficult decision to make. One of the imperatives identified by the Mckinsey authors was “creating an employee value proposition” – making it attractive to work in the organisation. Keeping a close handle on the engagement of our talent is key - – which argues for a dialogue rather than an anonymous survey. Since we may justifiably argue that our talented people are our most valuable assets we would want to take care of them and of course, keep them. So we will be interested in subsets of our data on retention and losses specifically as follows:

- The % of people in our talent pools lost to the organisation over a defined period
- The % of such people giving “lack of career opportunity” as their reason for leaving
- The % of such people giving “discomfort with the culture” as their reason for leaving
- The average engagement level of people in our different talent pools

The extent of the supporting culture and environment

Our final area for metrics is about the broader culture and environment and its support for talent development. Such a culture was comprehensively described in a book by Williams (*The War for Talent – Getting the Best from the Best* ,CIPD,2000) where he discusses sponsorship, coaching and mentoring. He echoes the core plea of the original Mckinsey authors to recognise how important the role of an immediate line manager is. My early career was in Procter and Gamble and I well recall how much effort my immediate managers put into nurturing and developing me.

Cultural measurement will be in the form of surveys. If our organisation has specific engagement surveys we are very much interested in the results of talented people and talent pools as stated above. Whatever methodology we use we should ensure that questions relating to a talent-supportive culture are included.

Summary

Few would disagree that people, especially our talented people, are the most valuable assets in an organisation. That is why so many organisations have senior positions dedicated to their “talent” and its management. Management requires goals, processes, and metrics for tracking progress towards the goals. Here we have discussed the kind of metrics that can be used in this critical area. Wherever relevant they should be connected with business indicators to see whether correlations exist (for example) with revenues or customer service. We would expect logically that the better we are at “managing” our talent the better our organisation will be at achieving its mission.

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